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C O N F I D E N T I A L SECTION 01 OF 03 SHANGHAI 000177

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E.O. 12958: DECL: X1 MANUAL REVIEW

TAGS: PGOV PINR EINV ECON CH

SUBJECT: LOCAL REACTIONS TO XI JINPING'S APPOINTMENT AS SHANGHAI
PARTY SECRETARY

REF: SHANGHAI 163

CLASSIFIED BY: Kenneth Jarrett, Consul General, , U.S.
Consulate Shanghai.

REASON: 1.4 (b), (d)

¶1. (C) Summary. The appointment of Xi Jingping as Party Secretary has been heralded in the Shanghai official media, but

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business and academic contacts are taking a "wait and see" attitude. Official newspapers and internet postings have emphasized Xi's coastal experience and "rich social contacts." One government contact noted that Xi would find Shanghai a more challenging appointment than Zhejiang because the state sector remained large. According to a few contacts, Xi was a compromise candidate who was politically reliable and set his priorities in accordance to Beijing. Two contacts noted rumors that Shanghai Mayor Han Zheng would be replaced by Anhui Governor Guo Jinlong, with one contact stating that her Beijing sources believed there was a 50-60 percent chance that would happen. According to one contact, Chen Liangyu was currently on a hunger strike to protest his "unfair" treatment. Meanwhile, Huang Ju's health continued to deteriorate. End summary.

Xi's Last Hurrah, Li's Move up?

¶2. (C) In the past week, Congenoffs have polled several contacts in East China for views on the appointment of Xi Jinping as Party Secretary. In separate meetings on March 28 with Poloff, Bao Jian, a politics and law reporter with the People's Daily Shanghai Bureau and Tongji University Professor and Shanghai Chinese People's Political Consultative Conference (SCPPCC) member Frank Peng dismissed the idea that Xi owed his promotion to Zeng Qinghong. Bao said Xi was politically reliable and bureaucratically able to carry out Beijing's wishes, but not terribly creative, making him acceptable to Hu Jintao. Xi owed his promotion to his father's (Xi Zhongxun) prestige and not his personal ties to a particular faction. She

said that Xi was not "too conservative" and overall was not a bad choice for Party Secretary. Peng concurred with the idea that Xi was a compromise candidate who was seen as non-threatening by all factions and that his promotion was largely given out of respect for Xi's father.

¶3. (C) Chairman of the Tianan Insurance Company Chen Pojian noted at a March 28 lunch hosted by the CG that Xi was appointed by Beijing, and would answer to Beijing. He added that when Xi was Party Secretary in Zhejiang he set his priorities by listening to the Central government, in contrast to Chen Liangyu who based his priorities on his ambitions for Shanghai, which was to make Shanghai into another Hong Kong. China already had a Hong Kong and does not need another one. China, Chen said, needed Shanghai to be a part of China.

¶4. (C) At the March 28 CG-hosted lunch, Deputy Director-General of the Shanghai Municipal Financial Services Office Fang Xinghai said that Xi would find it more challenging to manage the economy in Shanghai. Since the state sector remained substantial and the economy was already very developed. Lifting Shanghai to the next level would not be easy. In contrast, Fang said, most of Zhejiang's income and growth had been generated by private enterprises. The fact that Xi's replacement, former Deputy Director of the CCP Organizational Department Zhao Hongzhu, had no economic experience whatsoever was an indication that the leadership felt that Zhejiang would continue to do well economically, no matter who was in charge. Fang also noted that Xi would not be able to bring in his own lieutenants and would, therefore, have to adjust to the Shanghai machinery.

¶5. (C) While most people believed that Xi's appointment would come with a Politburo seat and, if he does well in Shanghai, he could expect to be elevated to a higher position in the future, some contacts had a contrary view. Bao said it was not a done deal that Xi would receive a Politburo seat. During a brief March 28 phone call, Nanjing University Professor Gu Su told

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Poloff that his contacts in Beijing had informed him the previous day that Xi's move to Shanghai was likely his last and that he would probably finish out his career in Shanghai. His contacts informed him that Li Yuanchao's "chances are getting large," meaning that it was almost certain that Li would be heading to Beijing for an important post. Bao had also heard that Li was heading for Beijing, with a possible promotion to the Politburo Standing Committee in the works.

"Public" Reaction Excited

¶6. (U) A scan of recent press reporting and internet postings showed several themes emerging in what appears to be Beijing's official line regarding Xi. A March 25 article in the PRC-owned Hong Kong newspaper Ta Kung Pao quoted Shanghai scholars who believed that Xi would follow the central government's decisions. Three other articles in the March 25 Ta Kung Pao cited Xi's extensive experience with other "East China" provinces as having qualified him to work in Shanghai. One report cited Taiwan businessmen who believed that Xi's coastal experience in Fujian and Zhejiang meant that Xi understood what Shanghai needed for development. The same article cited other "Shanghai officials" as saying that Xi was open minded and not afraid to take risks. In a separate article, an anonymous Shanghai official noted that Xi, a princeling, would help improve communications with the central government due to his "rich social contacts." In another article, another Shanghai official claimed that the Chen Liangyu case demonstrated that it was not good to have an official who was born and raised in an area rise up to take the top post, and that it was wise to bring in Xi, whose outsider status would change the "group" politics left over from the Chen era.

Han Zheng's Days Numbered?

¶7. (C) In a sign that perhaps the debate over the extent of the leadership changes is not over (reftel), one of the Ta Kung Pao articles cited an anonymous "Shanghai official" who said that it would be good if Han Zheng stayed on as Mayor to help maintain the city's stability. The official said that Han would be able to help Xi build Shanghai's leadership group and help Xi acclimate to his new environs. The official warned that if Han were removed as Mayor, it would have a significant impact on Shanghai. Fang said that Han had been working hard to show he was doing a good job, to forestall a transfer. Being Mayor of Shanghai was better than serving as governor in a remote corner of China.

¶8. (C) Bao said her sources in Beijing told her that there was a 50-60 percent chance that Han would be replaced by Anhui Governor Guo Jinlong. Bao had interviewed Guo before and found him to have a dictatorial management style, uncreative, and generally a lackluster leader. She believed that Guo's connections to someone at the top--possibly Hu Jintao--accounted for the possibility of a transfer. Although she had no information that Guo himself was corrupt, Bao said she had discovered many of the vice governors and more especially the county and local leaders in Anhui to be particularly dirty. She noted that the people in a Chinese government bureaucracy, typically, followed the style of whoever was at the top.

¶9. (C) Peng said he had also heard rumors that Han might be replaced by Guo. He believed that Han would probably end up in Beijing as the head of the Environmental Protection Bureau. Peng said that Beijing was currently focused on tearing down the "feudal lord" concept among local leaders and trying to develop three "regional economic pillars" including the Yangtze River Delta, the Pearl River Delta, and the Bohai Crescent (including Dalian and Tianjin). That was one reason that made both Xi and Jiangsu Party Secretary Li Yuanchao appropriate for the Shanghai Party Secretary job. Peng said that the debate on bringing Guo to Shanghai reflected the growing importance the central government was placing on Anhui and its desire to include Anhui

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in the Yangtze River Delta economic region.

What of Chen?

¶10. (C) Peng said Chen was currently on a hunger strike to protest what he considered was his "unfair" treatment. Chen intended to kill himself. However, the Chinese authorities would not allow Chen to starve to death prior to his trial but would force feed him if necessary.

Huang Ju's Swan Song

¶11. (C) Peng noted as an aside that Huang Ju was going from bad to worse. According to Peng, Huang attended the National People's Congress (NPC) meeting in early March in effect to say goodbye to his friends. Peng had several friends who attended the Shanghai delegation meeting where Huang spoke. These contacts informed him that both Huang and the delegates--many of whom owed their political careers to Huang--were moved to tears by Huang's words. Peng assessed that Huang would either die or retire by this coming autumn's Party Congress, but either way, he would not have another chance to appear in public and had therefore insisted on attending at least the NPC opening ceremony.

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